

June 12 COVID-19 CA reporting form
Crestbrook Insurance Company
Private Passenger Auto

Explanatory Memorandum question II

Responses for question #: 2, 4, 5, and 6

2b. Please provide a summary of your action plan to achieve the premium refund in response to this bulletin in the Explanatory Memorandum-section II.

PPA: The amount the Nationwide group of companies directly returned to private passenger automobile insurance customers was a one-time payment of \$50 applied uniformly for each personal auto policy in force on March 31, 2020. Given that potential changes in risk differ individually, and given the limited duration of this event to date, it is our belief that the amount directly returned is a fair distribution back to our individual customers. However, as explained in additional sections of this memorandum (particularly 5d.), this was not the sole effort undertaken by Nationwide to accommodate PPA customers in accord with the spirit of Bulletins 2020-3 and 2020-4.

4. How did your company accomplish its refund of premium to policyholders? Please answer by line of insurance. If the method differs by program within line of insurance, please check all boxes that apply and provide additional explanation in the accompanying Explanatory Memorandum - section II.

PPA: Customers didn't need to do anything to receive the refund. If the client had an active balance on the auto policy, their next payment amount was reduced by \$50, along with an explanatory communication, which also affirmed customers' ability to reassess estimated mileage driven and vehicle classification on a case-by-case basis. Clients who were already paid in full received a refund check and communication instead of a credit.

5. Explain which of the following method(s) your company used to compute the premium refund. Please check the appropriate box for each line of insurance. If the response differs by program within line of insurance, check the box for the predominant program in the line, and provide additional explanation for the remaining programs in the accompanying Explanatory Memorandum - section II.

5d. PPA: We directly communicated an ability to continue to allow customers to reclassify Annual Mileage and Vehicle Use (from Work and Business to Pleasure), as appropriate under case-by-case circumstances, based on their individual situations. This has resulted in additional relief being extended to personal auto customers beyond the refund. This has reduced our annual DWP by an additional \$6 million.

6. Identify any and all other measures that your company has taken to help policyholders during the COVID-19 quarantine period. Select a method from the list below for each line of insurance. If the method differs by program within line of insurance, check the box for the predominant program in the line, and provide additional explanation for the remaining programs in Explanatory Memorandum - section II.

6e. We are deferring to a future date the requested overall rate increase pending with the CDI (filings: 19-4279, 19-4279-A) originally filed to be effective in June. Every month of delay is approximately another \$2.3 million in deferred DWP.

We also extended underwriting leniency for expired Driver's Licenses and vehicle registrations (Ref - CDI Notice of May 5, 2020).

We broadened delivery coverage on personal auto coverage (Ref - CDI Notice of April 9, 2020).

We provided billing and cancellation leniency (Ref – CDI Notice of March 18, 2020).

If your company writes in one of the lines specified in Bulletin 2020-3 and has issued refunds for your policyholders, please explain all actions taken to date to refund premium in response to or consistent with this Bulletin. Please include California-specific information and an explanation and justification for the amount, effective date, and duration of any premium refund, and how those measures reflect the actual or expected reduction of exposure to loss.

PPA: The number of miles driven by our customers and personal auto claims have fallen since Stay-at-Home and Shelter-in-Place orders have taken effect in many states, resulting from and accompanied by vastly increased use of work-from-home technologies and other social distancing efforts. To reflect potential change in risk and to respond to the hardship that many households are experiencing as a result of the COVID-19 pandemic, Nationwide developed a plan to return a fixed dollar amount to our customers as quickly as possible. Though there continues to be uncertainty about what the true impact of COVID-19 will be, the fixed dollar amount we returned to our customers reflects our best estimate of the decrease in personal auto claims and miles driven throughout the duration of this event.

The first table below shows the frequency, severity, and pure premium effects we originally estimated from the COVID-19 Stay at Home and similar orders around the country. The March and April impacts reflect actual data, while the other months were projected changes based on our best judgement of the impact, as well as the expected timeframe the orders were set to expire.

| <i>Change in</i> | March | April | May | June | July | August |
|------------------|--------------|--------------|------------|-------------|-------------|---------------|
| Frequency | -16.5% | -40.0% | -15.0% | -7.5% | 0.0% | 0.0% |
| Severity | 2.5% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |

Turning to actual California-specific experience, we are monitoring information in the similar format.

| <i>Change in</i> | March | April | May |
|------------------|--------------|--------------|------------|
| Frequency | -2% | -28% | -30% |
| Severity | 4% | 35% | -1% |

The paid frequency in California has come down as expected. The paid severity has been substantially higher than expected, though the monthly data is showing some volatility. However, it is key to note that in addition to and beyond the fixed refund amount provided directly to our California PPA customers, Nationwide is also honoring appropriate adjustment of annual mileage estimates and vehicle use classification on a case-by-case basis, resulting in additional relief (see 5d.).

As we work together through this difficult time for our customers across the country, we have proactively identified and implemented several measures consonant with the framework of reasonable flexibility empowered by CDI Bulletins 2020-3 and 2020-4 (and other CDI Notices) to help Nationwide customers face the sudden challenges presented by the COVID-19 pandemic. We offered this rapid relief, additional case-by-case accommodation, and underwriting/billing leniency at a time when drivers are making the right choice to stay off the road and remain home to help “flatten the curve.” This relief, and the manner in which we have chosen to provide it to our customers, is just one more way in which we are furthering our mission to protect people, business, and futures with extraordinary care.